

Rip Van Winkle Wakes Up In Arkansas: Our Energy Efficiency Story

Remarks by
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- 1977 --- Arkansas General Assembly declares energy crisis in nation and state and enacts the "Energy Conservation Endorsement Act of 1977"
- General Assembly declares an overriding public interest in conservation and energy efficiency
- "It shall be considered a proper and essential function of public utilities regulated by the Arkansas Public Service Commission to engage in energy conservation programs, projects, and practices which conserve, as well as distribute, electrical energy and supplies of natural gas, oil and other fuels."
- General Assembly gives broad plenary authority to Arkansas Public Service Commission to "propose, develop, solicit, approve, require, implement, and monitor measures by utility companies which cause the companies to incur costs of service and investments which conserve, as well as distribute, electrical energy and existing supplies of natural gas, oil, and other fuels."

■ Key elements of Act :

1. PSC can " propose, develop, solicit, approve, require, implement, and monitor" programs defined by the Act
2. Programs can be for conservation, weatherization, energy efficiency, or demand reduction
3. Programs deemed a "proper and essential" role of public utilities
4. Costs are a "proper cost of providing utility service"
5. Costs are recoverable in rates "at the time any such programs or measures are approved and ordered into effect"
6. Nothing in the act shall be construed as limiting or cutting down the authority of the commission to "order, require, promote, or engage in other energy conserving actions or measures"

- Summer, 2005 ---- National Petroleum Council releases grim study on likelihood of long-term natural gas supply/demand imbalance
- Forecasted continuation of "higher than normal" natural gas prices
- This long-term higher price trend was predicted to affect both natural gas and electricity service costs to consumers
- Arkansas PSC took action to review state laws and policies; situation regarding supply-side versus demand-side focus

- Late 2005/Early 2006 ---- PSC applied for and became one of 6 EPA state partners in EPA's "State Energy Efficiency Partnership Program"
- Calendar Year 2006 ---- Arkansas Commission embarked on a year-long rulemaking proceeding
- PSC hosted workshop in February and, beginning in August, convened numerous Collaborative Sessions involving all of the relevant stakeholder communities
- Consensus-based collaborative process culminated in Commission Rules that were adopted January 11, 2007

- Elements of successful process were:
 1. State statute giving comprehensive authority to state PSC
 2. EPA partnership support, with access to national experts/consultants and evidentiary materials, success stories, etc.
 3. Reliance on open stakeholder process

4. Collaborative approach involving

- ◇ All gas and electric utilities (including electric cooperatives)
- ◇ Commission Staff
- ◇ Attorney General's office with nationally renowned expert consultant
- ◇ Industrial customer group
- ◇ Commercial customers
- ◇ Community action agencies with expert consultants
- ◇ Consultants/experts from federal agencies
- ◇ Neighboring state agency reps
- ◇ State Energy Office
- ◇ Renewable energy rep
- ◇ Engineering firm
- ◇ Wal-Mart
- ◇ Technology vendors

5.
 - ◇ National emphasis and action plan on energy efficiency (NAPEE);
 - ◇ Congressional hearings and legislation, including focus on energy efficiency, climate change, and renewables;
 - ◇ Federal agency pronouncements and action steps such as FERC's focus on Regional Demand Response;
 - ◇ Industry cost estimates for next construction wave of necessary new generation, transmission, and distribution infrastructure.

2007 Action Steps

- Collaborative process and report made to Commission on “Deemed Savings” approach for initial “Quick Start” programs
- Utility applications filed in May to implement “Quick Start” programs as of October 1, 2007
- “Quick Start” programs are defined to include the most cost-effective “low hanging fruit”, such as commercial lighting, HVAC, industrial processes and motors

- Parties are currently awaiting Commission action on the Deemed Savings Report and Quick Start Program filings.
- All nonexempt utilities filed for approval of a joint “Energy Efficiency Arkansas” statewide consumer education program, administered by the Arkansas Energy Office. The exempted utilities provided a letter of support and their share of funding.
- Likewise, nonexempt utilities have filed for approval of the “Arkansas Weatherization Program”, which will involve coordination with the Arkansas Community Action Agencies (“ACAA”). The exempt utilities have entered into a voluntary weatherization agreement with the ACAA.

Future Topics

- Decoupling/Billing Determinant Adjustment mechanisms (first one approved as part of a gas utility rate case settlement in Spring '07; others likely to follow)
- Evaluation, Measurement and Verification Processes (EM&V)
- Integration of EE programs into utility IRP filings

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- Integration of statewide EE and Demand Response programs into Regional Planning efforts ---- FERC Demand Response Collaborative; Congressional interest; RTO market design requirements
 - Determine how much money should be invested, and how quickly, in light of looming need for new baseload generation
 - Interplay between EE, RPS, and CO2